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Abstract

Climate change and global warming have been widely discussed issues during past few years. Different responses to climate changes have been imposed in order to prevent its impacts on nature and human society. The United Nations started the negotiations for the convention and opened the Framework Convention on Climate Change (UNFCCC) for ratification in 1992 and afterwards in 1998 it was agreed to supplement the Framework Convention with the Kyoto Protocol. In order to help meet its emission reduction obligations under the Kyoto protocol the EU has established the European Union Emissions Trading Scheme (EU ETS). It is a government-run market that sets binding constraints on the CO₂ emissions emitted from the covered industries. EU ETS has created a shift in firm's business environments. The purpose of this thesis is to examine how EU ETS affects on the competitiveness of involved Finnish firms. As sub-problems the issues of what kind of changes EU ETS has caused in firms and what kind of pressures for change have there appeared are discussed. In addition, how EU ETS will impact on firms in the future is examined in this study. The study is a qualitative research conducted using semi-guided interviews as a research approach.

Firms have reacted differently to EU ETS and climate change in a wider perspective. As some firms have been proactive by investing in research and development projects in order to find new low-emission business models, the others have tried to ignore the ultimate objectives of the system by concentrating to get rather financial benefit instead of contributing to reduce the emitted CO₂ emissions. Reactive firms have only adapted their operations into the system in order to better control the cost EU ETS creates in the future. Firms have reacted differently because EU ETS has diverse weighting among different industries in Finland.

Firms that invest in R&D and search for new solutions to reduce CO₂ emissions have possibilities for sustainable competitive advantage in a turbulent environment. However, EU ETS is a real threat to the industries that are CO₂ intensive and where the emitted CO₂ emissions are unavoidably necessary. The effects of EU ETS cannot be exactly defined since the future of EU ETS is yet blurred. The planned international agreement of emissions trading will determine the future of European firms and their competitiveness. If global agreement will be merged, proactive European firms can benefit from early mover advantages. On the other hand, if the agreement will not be implemented, European firms will have to deal with a substantial additional cost of EU ETS unlike their competitors outside the EU.

Key words	emissions trading, climate change, environment, change, pressure for change
Further information	